

Committee on Resources

Full Committee

Witness Statement

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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

before the

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON RESOURCES

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Hafa Adai, Mr. Chairman and Members of the Committee. I am Pedro P. Tenorio, Governor of the Commonwealth of the Northern Mariana Islands ("Commonwealth" or "CNMI"). Thank you for the invitation to testify before you today.

We would like to thank the Chairman for the Congressional delegation you led to our islands this February. I hope that the delegation was able to see that, despite our limited resources, we have been working hard to keep our commitment to reduce the number of guest workers, to repatriate abandoned guest workers, to improve working and living conditions, and to enforce compliance with labor and immigration laws. We appreciate the interest of your Committee in determining how effective federal enforcement efforts have been in the CNMI and the status of our reform efforts.

I. Economic Downturn and Efforts to Revitalize the Economy

Unlike the mainland U.S. which is experiencing an economic boom, our economy has been suffering a severe downturn since late 1997. This is because the CNMI economy is closely tied to the Asian economies, unlike most of the U.S., except perhaps for Hawaii and Guam.

Tourist arrivals fell by 28% in FY1998, from 726,690 to 526,298. Arrivals are projected to decline another 8% in FY1999 to 485,000, which would be the lowest arrival figure since 1991. Little or no improvement is expected for the next two years, and only small increases beyond that, as the Asian economies recover.

Local revenue collections from tourist and other non-apparel related activities have declined \$54 million, or nearly 30% over the last two years, from \$186 million in FY1997 to a projected \$132 million in FY1999. Over the same period, apparel industry revenues have climbed from \$62 million to \$85 million (37%), providing some mitigation of the steep decline in tourism revenues. The net result is projected total FY1999 revenues of \$216 million, or a net reduction of \$32 million from FY1997.

The filing of class action lawsuits against the CNMI's apparel manufacturers in January of this year has clearly affected the monthly user fee collections and the value of apparel exports. Based on recent trends in the industry, we have reduced our revenue estimates from the apparel industry by 10% per year for FY2000 and FY2001. A drastic drop in FY2004 is anticipated as quotas and tariffs are removed.

In addition to General Fund revenues, approximately 50% of the Commonwealth Ports Authority ("CPA") seaport revenues are derived from apparel-related shipments. This has enabled CPA to secure long-term financing to fund major ports improvements. Loss of the apparel revenues with no replacement revenues would leave the Ports Authority unable to meet its long-term bond debt service payments and loss of the outbound cargo would mean higher shipping costs for the entire CNMI. Further, the Commonwealth Utilities Corporation generates over 20% of its revenues directly from the apparel industry.

The economic outlook for the CNMI over the next four years appears to be a small decline for two years, a stagnant economy for two years and a steep 30% drop in FY2004.

The net result of our most likely projections for the apparel industry, tourism, our economic diversification efforts, and the multiplier effect of capital improvement project ("CIP") construction activities, is that government revenues will remain in the \$200 - \$215 million range for FY2000 - FY 2003, with a drop to \$182 million level in FY2004. This would reduce revenues to the FY1994 level.

A strict austerity program implemented in January 1998 imposed restrictions on expenditures for personnel, professional services, travel, communications, leased vehicles and general procurement of goods and services. These belt-tightening measures have resulted in drastic reductions in annual government expenditures from \$268 million in FY1997 to a projected \$216 million in FY1999. This will be a \$52 million or 20% reduction over the two-year period. Over 1,000 government positions have been eliminated through attrition and by leaving vacant positions unfilled, and some government offices have implemented a reduction in work hours.

Further reductions in government expenditures present major difficulties. The CNMI, unlike most other local, state and insular jurisdictions, is comprised of three main populated islands, making duplication of government services and infrastructure unavoidable. Our analysis of government expenditures by island indicates the CNMI Government's operational costs are 30% higher than they would be if the population and facilities were located on one island. This amounted to \$43 million in FY1998. This does not include the additional infrastructure costs of multiple power, water, and sewage systems; airport and sea port facilities; highway and road systems; public school and public health delivery systems; etcetera.

II. Covenant Section 702 Grants are Expended on Vital Projects

Upon taking office, my Administration made it a priority to move Covenant Section 702 CIP funds quickly and efficiently. One of the primary impediments against movement of CIP funds in the last Administration was the lack of an integrated list of prioritized CIP projects, which is a requirement to draw-down federal funds. We quickly appointed a task force to develop such a list. The Covenant Section 702 Projects Plan for FY1996 - FY2002 ("CIP Plan") was completed in December 1998. We also created an office specifically for the management of CIP projects. This has greatly improved our efficiency and ability to track progress on the expenditure of CIP funds and assist in the movement of pending projects. Our efforts have led to a substantial increase in the level of funds released per fiscal year. From January 1995 to December 1997, a total of \$33.6 million was released for CIP projects. During 1998 our efforts to expedite the release of funds

led to a release of \$39.5 million for the year, more than was released in the entire preceding three-year period. In the last six months we have already managed to release \$10.2 million. We are expending these funds as rapidly as possible and have instituted the organizational changes necessary to do so.

Over the last several years, claims have been made that the CNMI was not using the Covenant CIP funds. An OIA press release issued in February 1999 supporting a proposal to divert these funds to other insular areas characterized the funds proposed for diversion as "an unused balance from previous construction grants." This is not true. Although it may appear on the books that the funds have not been "used", this is misleading, as normally full payment for a project is not due until its completion. For instance, a project may be in the design phase and payment for the design has been expended, but you would not pay for the construction until actual completion of the facility. Therefore, it appears on the books that this money has not been used when, in fact, it has been committed.

The funding levels and the CNMI match required since the inception of the Covenant Section 702 funding program are as follows:

- First Funding Period, FY1979 - FY1985 \$192 million

No local match required. All grants have been fully expended.

- Second Funding Period, FY1986 - FY1992 \$228 million

No local match required. Approximately 40% of grants went to local government operations. Only \$1.2 million remains unexpended. Projects have been identified.

- Interim Funding Period, FY1993 - FY1995 [\(1\)](#) \$101 million

Between 20% and 40% local match required, totaling \$29 million. All grants went to CIP projects; no funding went to government operations. Although \$41 million remains unexpended, all of it has been committed to ongoing projects.

- Third Funding Period, FY1996 - FY2002 \$154 million

Fifty percent local match totaling \$77 million over seven-year period is required. All grants are for CIP projects. CIP Plan was completed in December 1998 and is being implemented.

The FY1996 - FY2002 CIP Projects Plan identifies the projects to be accomplished under the current seven-year CIP funding program, totaling \$154 million. Major projects include funding for a solid waste facility, a new correctional facility, school projects, and basic water, power and sewer infrastructure on Rota, Tinian, and Saipan.

The Commonwealth has thus far appropriated \$52.3 million for CIP projects under this plan. This appropriation takes us part way through the FY1998 funding period. In addition, legislation was recently passed authorizing a bond issue that will provide sufficient funding for the local match required through the rest of the current funding period, FY1996 - FY2002.

There have been proposals to defer a portion of the Covenant Section 702 CIP grant funds. We strongly oppose any amendments to the existing funding structure. We are locating funds to match the federal share

and we are expending these funds quickly. We are aware of and appreciate the letters you have written, Mr. Chairman, to your colleagues in Congress regarding this issue and thank you for your efforts to assist us in preserving these important funds for our community.

III. Enforcement of Federal Laws

Over the last year and a half, the Commonwealth has forged improved relationships with the federal agencies that operate in our jurisdiction. However, we still have a few concerns regarding the operations of some of the federal agencies in the CNMI.

A. The National Labor Relations Board ("NLRB"), The U.S. Equal Employment Opportunity Commission ("EEOC"), and The Occupational Safety and Health Administration ("OSHA")

The Commonwealth is currently finalizing a Memorandum of Agreement ("MOA") with both the NLRB and EEOC. These agreements will expand and clarify the interaction of the Department of Labor and Immigration ("DOLI") and the NLRB and EEOC. We have also been encouraged by the training efforts of the EEOC in the Commonwealth. They have been conducting on-island workshops for employees, employers, and local government agencies.

The CNMI's primary concern regarding the NLRB, EEOC, and OSHA enforcement efforts is that they do not have a full-time presence in the Commonwealth. Part-time enforcement of claims has created a backlog of cases. We have witnessed this from our processing of temporary work authorizations which DOLI issues for 90 days at time to guest workers who have filed a federal labor claim, and are continually renewed until the completion of the case. A temporary work authorization allows a guest worker to remain on-island during the pendency of his or her claim. There are currently over 300 individuals who are on temporary work authorizations as a result of pending NLRB claims. Some of these individuals have been receiving renewals of the 90-day temporary permits since 1997. We also have individuals who are unemployed, but continue to remain in the CNMI during the pendency of their NLRB case. When guest workers come in for renewals of their temporary work permits, they are asked about the anticipated conclusion of their case. We have repeated instances of guest workers telling us they do not know because there is no agent on island. In addition, because we are an island community, employees have no reachable resource for assistance when an agent is not on island. They cannot drive to a neighboring town to see an agent.

We are also disappointed over the reluctance of OSHA to assist in funding a consultation service in the CNMI as is done in many other jurisdictions including Guam, Puerto Rico and the Virgin Islands. We believe that such a service would assist in reducing the number of OSHA violations in the CNMI.

B. The U.S. Attorney's Office

Our primary concern regarding this office is the delayed prosecution of an internal corruption matter at DOLI, which has not been prosecuted despite being ready for prosecution from the federal investigative task force since October 1998. The investigative task force has also informed us that, due to the lengthy passage of time, a number of "targets" and "witnesses" are no longer available for testimony in the case. Swift prosecution of this case would send a message that corruption is not tolerated.

C. The Federal Bureau of Investigation ("FBI")

The primary interaction between the FBI and the CNMI has been through the FBI/CNMI Task Force. The

Task Force has been extremely successful. Cooperation, training and technical assistance provided by the FBI is critical to effective enforcement of laws in the CNMI. Joint efforts of the FBI/CNMI Task Force have successfully combated Chinese gang operations, forced prostitution under the Mann Act, illegal immigration, mail and wire fraud violations, and Hobbs Act violations. A major concern expressed by CNMI members of the Task Force is the failure to respond to repeated requests for funding for federally certified translation services. Lack of translation services clearly hinders the overall progress of investigative work in a community with a large foreign speaking population.

D. The U.S. Department of Labor, U.S. Customs, and the Immigration and Naturalization Service ("INS")

U.S. Labor maintains a full-time presence in the CNMI and we have participated in a number of joint enforcement efforts. The Commonwealth is excluded from the customs territory of the United States under Covenant Section 603. However, the CNMI Customs Division cooperates fully whenever U.S. Customs requests to stage an operation in the CNMI. Last year, I invited the U.S. Customs Service to consider executing a new Memorandum of Agreement with the CNMI to replace one that expired in September 1996.⁽²⁾ U.S. Customs declined due to concerns about potential liability issues since U.S. Customs has limited jurisdiction in the CNMI under the Covenant. In addition, no CNMI law enforcement agency has yet received the contents of the so-called "Gray Report" allegedly detailing instances of textile transshipment into the CNMI during late 1997.

The last six months have seen a dramatic improvement in services from the INS office in the CNMI. Prior to this time, there was little interaction between CNMI immigration officials and the local INS office despite efforts by the CNMI. This situation has improved dramatically with recent cooperative efforts, including the Tinian operations, and planned training seminars, which will be extremely helpful in enhancing local levels of expertise.

IV. Federal-CNMI Initiative Funds Are Instrumental in Improving the Labor and Immigration Situation in the CNMI

The Federal-CNMI Initiative on Labor, Immigration and Law Enforcement was created by Congress in 1994 to address labor, immigration and law enforcement issues in the CNMI. Each year since 1994, Congress has appropriated funding to the Department of Interior to be used for activities under the Initiative. The CNMI applies annually for grants under the Initiative and the Office of Insular Affairs (OIA) determines how the money is to be spent. In addition to funding CNMI enforcement efforts in labor, immigration and related areas, OIA has provided substantial funding to federal enforcement agencies to increase their presence and enforcement activities in the CNMI. Activities funded by the CNMI using Initiative grants are described below.

A. Attorney General's Office

Initiative funds have enabled the CNMI Attorney General's Office ("AGO") to address a critical need for additional attorneys. The FY1995/1996 grant funded two attorneys and a paralegal in the Criminal Division. These positions became so essential to the institutional capability of the Criminal Division that they were taken over by local funding to ensure continuity.

Three labor and immigration attorney positions in DOLI were funded from the FY1997 grant and we have applied for funding to continue them under the FY2000 Initiative appropriation. One attorney functions as in-house counsel to the Labor Division. Among the attorney's responsibilities are advising on labor policy

and procedures, as well as drafting rules and regulations and reviewing labor related legislation, and representing the Department at hearings.

In addition, a prosecutor from the AGO Criminal Division was permanently assigned to DOLI in August 1998 to criminally prosecute violations of CNMI labor laws. Although the vast majority of labor disputes are resolved on the administrative level, it was essential that abusive employers be charged criminally if the conduct called for it. Immigration criminal prosecutions are up 100% from 1997. During 1998 there were 25 criminal labor and immigration cases filed against 45 defendants. This labor prosecutor's scope of responsibilities was expanded to include civil prosecution, collections (i.e. enforcement of judgments rendered by the hearing office) as well as representing the department at hearings. This attorney has filed 142 civil actions to collect over \$1 million in back wages, liquidated damages, and civil penalties. A paralegal position is also funded under the grant.

The third attorney position provides legal support to DOLI's Division of Immigration. This attorney handles all deportation and exclusion related matters and litigation up through the appellate level. In 1997 there were 247 deportation orders issued; this increased to 441 deportation orders in 1998. In addition, over half a million dollars in assets from forfeiture cases have been collected by this attorney.

A Criminal Code revision was also funded under the grant and is currently before the Legislature.

B. Attorney General's Investigative Unit

In 1995 the Attorney General's Investigative Unit (AGIU) was awarded \$487,000. The FY1999 grant funded \$245,000 for this unit. These funds permitted the creation and operation of a professional law enforcement agency. The objective of the AGIU is to develop an investigative program to identify and prosecute white collar crime, organized crime, public corruption, and fraud against the government, with an emphasis on labor and immigration problems. The AGIU performs the role of an independent state police agency reporting to the Attorney General. This unit handles an average of more than 100 criminal cases per year by six investigators. To date for this current year, there have been 14 arrests, which are pending prosecution. These cases consist of misconduct of public officials - bribery, labor abuse, immigration fraud, sexual assault, extortion and prostitution. The unit is headed by a retired FBI special agent.

C. Department of Labor and Immigration

The resolution of labor disputes at the administrative law level is important to efficient resolution of cases. The system and personnel in place in 1995 could not cope with the volume and complexity of cases filed. The Initiative grant in FY1995/1996 provided \$132,000 for improvements. Two administrative law judges were hired for this unit. Computers and modern court recording equipment were added to the available tools of the administrative law judges. This unit processed 1,133 cases in 1996, issuing monetary awards to workers of \$1,874,206. In 1997, 1,229 cases were processed with \$2,131,423 awards issued to workers. In 1998, 1,270 cases were processed, with \$7,452,630 issued in administrative awards to employees. The FY1997 Initiative grant provided an additional \$168,270 for a third judicial position, as well as additional equipment, training and library materials.

In addition to the hearing office, the FY1997 Initiative grant provided DOLI funding for an Internal Affairs Investigator, a Health and Safety Investigator and a Wage and Hour Investigator. The Internal Affairs Investigator has developed a Departmental handbook including guidelines, procedures, and regulations for Department personnel. The officer has conducted training sessions with DOLI personnel. Investigations of

alleged misconduct and/or violations of CNMI laws and DOLI policies have thus far resulted in the termination of six employees and the resignation of three. This investigator also conducted an investigation of a private firm, which resulted in 60 counts of criminal charges against that firm. This office has an increasing caseload as a result of active monitoring and enforcement. The FY2000 Initiative request includes funding for an additional Internal Affairs Investigator. The Department has yet to fill the other two investigator positions; however, it is actively recruiting qualified candidates.

D. Labor and Immigration Identification System

The Labor and Immigration Identification System (LIIDS) project began in 1994 with a \$1.5 million grant from the FY1995/1996 Initiative appropriation. The purpose of this project is to develop a fully automated immigration tracking system that would include a comprehensive arrival and departure module. While this project has suffered some delays, it is now back on track. Development of a fully automated arrival and departure module is in the planning stages and vendors who have installed similar immigration tracking systems in other countries are being researched. Currently, CNMI immigration arrival and departure tracking is semi-automated, with plans to enhance this system until the installation of a fully automated arrival and departure system.

E. FBI/CNMI Task Force

The FBI/CNMI Task Force was organized to combine law enforcement resources and efforts of the CNMI and the FBI to jointly investigate criminal activities that violate federal law within the CNMI, specifically organized crime activities. The Task Force received small grants in FY1995/1996 and in FY1999. The Task Force has been responsible for dismantling a Chinese gang that was involved in numerous extortion cases in the Chinese community. Three high ranking organizers of the gang have been convicted and are presently serving lengthy prison terms. In addition to extortion cases, the Task Force successfully investigated numerous Mann Act violations, immigration fraud, and an internal investigation of alleged corrupt activities in the DOLI. In April 1999, the Task Force assisted the U.S. Immigration and Naturalization Service in the investigation of the illegal alien smuggling operation that resulted in five boats being diverted by the US Coast Guard to Tinian. Approximately 30 Chinese nationals have been charged with alien smuggling. A sixth boat carrying approximately 150 Chinese nationals was diverted to Tinian in August. Just a few days ago, all of the aliens were processed by INS and repatriated out of Tinian.

F. Northern Marianas College

In March this year, the Northern Marianas College organized an economic development conference, featuring a distinguished panel of experts. The event was funded by a \$75,000 grant from OIA, and a \$25,000 grant from the Commonwealth Development Authority. The information, ideas, and recommendations that arose from the conference have been incorporated into a major economic development study, funded by an additional \$200,000 grant from the Initiative. The College intends to finalize the study by the Fall of 1999.

G. Central Statistics Division/Department of Commerce

The Central Statistics Division was awarded \$87,000 from the FY1998 Initiative grant to conduct four quarterly rounds of a current labor force survey for the entire CNMI. Unfortunately, these funds were inadequate to effectively survey all three major islands, so only Saipan was surveyed and only for three of the planned four quarters.

H. Department of Public Health

The Department of Public Health ("DPH") instituted a comprehensive alien health-screening program in early 1998. While OIA first offered technical and financial assistance to DPH in January 1998, virtually none was provided until April 1999, fifteen months later, and long after the first screening was completed. Instead, OIA took the information and statistics provided by the CNMI for the purpose of developing the grant proposal in early 1998, and misrepresented and misinterpreted it and erroneously portrayed a "public health crisis" in a report to Congress. The report was issued in December 1998 entitled the "Fourth Annual Report on Federal-CNMI Initiative on Labor, Immigration and Law Enforcement". The CNMI was disturbed by the misrepresentations and prepared a clarification, which was submitted, to Congress in April 1999.

With no assistance from OIA, the CNMI successfully implemented the guest worker health-screening program. This program screened over 35,000 workers in 1998 and is moving into its second year. The program succeeded because of the diligent and cooperative efforts of several CNMI government

agencies and the private medical community, using computer tracking capability and sustainable program policies.

DPH received \$320,000 from the FY1999 Initiative appropriation to upgrade the data collection system at the DPH/DOLI Liaison Office and to hire three disease control investigators. These funds will ensure continuity of the screening program, investigation of the work environment of workers testing positive for disease, and monitoring noncompliant workers.

I. Guest Worker Assistance Program

Karidat is a non-profit organization operating a number of social service programs in the CNMI. One of these programs is the Guest Worker Assistance Program funded by the Initiative during the last four years. This program provides emergency food and/or rental assistance to "displaced guest workers" who have filed labor complaints with DOLI against their employer for breach of contract or abuse. Karidat received approximately \$300,000 from the FY1995 through FY1997 Initiative funding. An additional \$200,000 was applied for from the FY2000 grant. Between 1996 and 1999 they have assisted a total of 3,500 guest workers.

V. The Commonwealth is Successfully Addressing Labor and Immigration Issues

Over the last year and a half we have accomplished the following through our reform efforts:

- In March of last year, we enacted legislation imposing a moratorium to control and reduce the number of guest workers in the Commonwealth. This measure, coupled with the economic decline we are suffering, has produced a reduction in the number of guest worker permits by 22.7% from 1997 to 1998, the first reduction in our history. Furthermore, our most recent figures, from August 1998 to August 1999, show that only 25,306 permits were issued for this one year time period. This represents a 26% decline from Calendar Year 1997.⁽³⁾

In addition, our nonresident population is now lower than our resident population.⁽⁴⁾

- In March this year, to complement the moratorium law, we passed a law imposing a clear and absolute cap on the number of guest workers permitted to be employed in the apparel industry. We

also wanted to encourage a decrease in the numbers, and to eliminate the practice of using manpower companies to circumvent the cap. Consequently, the law contains an attrition mechanism mandating that if a company loses or lapses its license, the number of guest workers permitted under that license are permanently lost.

- This February, we passed a law expanding the relief available to abandoned guest workers.

Prior law had established a deportation fund to be used to purchase airline tickets for guest workers who had not been properly repatriated by their employers. The new law expanded the relief to allow guest workers who had received judgments for back wages, the right to receive, in addition to airline tickets, the equivalent of three months salary. Since this February, we repatriated over 163 individuals. One hundred and eleven also qualified for the three months salary relief. Thus far we have expended \$359,000 to provide this assistance. Currently, we have a list of 70 additional guest workers who are seeking this relief. We are continuing to gather our limited resources to address their requests as quickly as possible. In addition, increased enforcement and monitoring efforts have contributed to the fact that we have not had any significant cases of worker abandonment during this Administration.

- Last September, we enacted a law providing illegal aliens the opportunity to register and become legal. The registration period ended on June 2, 1999, with 3,111 guest workers having registered. Upon registering, they were encouraged to seek employment. We also provided assistance to help them locate jobs. To date, 1,246 have obtained one-year contracts for employment, with 295 more applications pending. A total of 2,125 have been granted three-month work authorizations. At the end of the amnesty period, we began asking those who had not found jobs to voluntarily depart. If they are unwilling to do so, we will institute deportation proceedings, ensuring that they are afforded all their due process rights.
- We are improving our border control capability. Early this year we installed a departure counter at the Saipan International Airport and are now collecting identification information from departing nonresidents. Prior to the installation of this counter, we only tracked nonresidents entering the CNMI. This change will improve our ability to ascertain who is physically present in the Commonwealth.
- We also instituted prescreening efforts to ensure that guest workers entering the CNMI satisfy conditions for entry. DOLI and State Department officials met late last year to discuss this issue. In addition, the Commonwealth unilaterally instituted prescreening of Filipino workers utilizing the Philippines Overseas Employment Agency ("POEA"), the Philippine Government agency responsible for all aspects of overseas employment for its citizens, and the Philippine Consulate in the CNMI. We are close to formalizing an agreement whereby POEA will assist us in our prescreening efforts. Efforts to implement prescreening have been concentrated on guest workers from the Philippines because they are the largest group of guest workers in the CNMI. Last year, DOLI instituted policies to prohibit entry into the CNMI of individuals from certain high-risk countries, except for garment workers. These countries include Bangladesh, Nepal, Sri Lanka, Pakistan, Russia, and the People's Republic of China. Individuals from these countries have been particularly difficult to repatriate in the past. These procedures are consistent with INS policies. The CNMI is now using INS "watch lists" of high-risk countries.
- Last year, DOLI promulgated strict regulations for manpower, service providers and security companies to eliminate recruitment scams. These regulations prohibit security guard or manpower

companies from hiring employees from outside the CNMI, thereby eliminating foreign recruitment scams in those industries. The regulations also require financial screening of all security companies, manpower companies and service providers to determine whether they have the financial capability to employ the guest workers. Companies that qualify are required to post a cash bond or a standby letter of credit in the amount of \$5,000. The result of these regulatory changes has been the virtual elimination of these types of companies in the CNMI.

- We passed a law this year limiting the stay of guest workers to three years.
- Last year, legislation was passed creating a special industry committee system to recommend minimum wage levels patterned after the system in American Samoa. The Chairperson of this committee is an official of the Hotel Employees and Restaurant Employees Union Local 5; the Vice-Chairperson is the Vice President and General Manager of the Bank of Hawaii. The committee has been meeting since January of this year. They have held public hearings on Saipan, Tinian and Rota, reached out to the business community through appearing before the Chamber of Commerce, and met with labor leaders to hear their views. Businesses throughout the Commonwealth are being surveyed in a manner similar to that done by the U.S. Department of Labor in American Samoa to determine current wage and compensation levels in various industries in the CNMI. Based on the data that is gathered and the public input from all interested parties, and considering the current economic conditions in various industries, the committee will make a recommendation to the Legislature on the minimum wage. The law requires that the Legislature set minimum wages no less than the rate recommended by the committee. The law also requires that the recommended wage cannot be lower than the current minimum wage. The committee hopes to complete its work in the next several months.
- We are continuing to address our U.S. citizen unemployment rate, which is currently 13.4%, compared to 14.9% last year. First, we redrafted our Resident Workers Fair Compensation Act to ensure equal compensation between residents and guest workers and to make employment in the private sector more attractive to resident workers. Our Nonresident Worker Act mandates certain benefits for guest workers that are not provided for resident employees. Second, I created a panel to analyze job categories that would be attractive to residents. We will work with the CNMI Legislature to pass legislation to add these jobs to the categories reserved for residents. In conjunction with this effort, we are working with the college and local high schools to institute or improve existing training programs for the job categories identified. In addition to reducing our unemployment rate, this effort should also further reduce guest worker numbers.
- We improved services at DOLI's Employment Services Office. The task of this office is to assist residents in finding employment in the private sector. Under our Nonresident Worker Act, before an employer can hire a guest worker, he or she must certify that there is no resident interested and qualified for the job. This office has seen increased interest by our residents in private sector jobs, and has increased placement of resident workers in the private sector. By August of this year, we had already placed 142 more resident workers in private sector jobs than were placed for all of 1998. Further, placements from January to August of 1999 were five times the number of placements for all of 1997.

This only highlights some of our actions over the last year. We will be providing you with a more comprehensive report on our progress. Overall, our efforts have led to a projected 85% reduction in labor

complaints between 1998 and 1999; collections, since January 1998, of \$1,142,725 in back wage judgments for guest workers; a 41.6% increase in business establishment health and safety inspections; a 12% increase in garment factory inspections; a 75% increase in garment factory housing health and safety inspections; a 78% increase from 1997 to 1998 in deportation proceedings; improved services at DOLI including educational forums for guest workers about their rights, and improved translation services to increase confidence levels; more active filing of cases against violators of our laws; and, stricter enforcement of laws. We will continue our efforts and look forward to working more closely and cooperatively with federal enforcement agencies.

VI. Conclusion and Recommendations

The CNMI has utilized the tools provided in the Covenant to develop a strong private sector economy over the past twenty years. The strength of the private sector has permitted us to become economically self-sufficient and to increase per capita income three-fold. Unlike other U.S. jurisdictions except Guam and Hawaii, our economic growth is directly tied to neighboring Asian economies. As those economies have suffered a drastic downturn in the past two years, the effect on our economy has been profound.

We are now at a critical economic crossroads: we are faced with the challenge of diversifying our economy at the same time that one of two major industries is about to leave. We are deeply concerned because the same tools that permitted us to build our current economy are under serious attack.

We have outlined the issues and what we have done to address them. We ask for your help and participation in the following ways.

- Please acknowledge our progress during the past year.
- Please preserve vital Covenant Section 702 CIP funds.
- Please help us restore investor confidence, which has been badly damaged by the uncertainty regarding our situation and negative publicity over the last few years. This is critical to our efforts to maintain self-sufficiency and diversify our economy.
- Please recognize the impact of the Asian economic crisis when considering legislation affecting the CNMI.
- Please appreciate that we have extremely limited natural and human resources with which to develop our economy, and achieve a progressively higher standard of living.

Thank you, Mr. Chairman.

¹—Each funding period has been seven years except the Interim Funding Period for FY1993-1995. Because no agreement was in place after the termination of the second funding period in 1992, the U.S. Congress approved funding on a year-to-year basis until 1996 when the third and current period of funding began.

²—See letter of Governor Pedro P. Tenorio to Mr. Charles Simonsen, Special Agent in Charge of the U.S. Customs Service San Francisco office, July 7, 1998 (appended to Attachment IV of CNMI Report on Labor, Immigration and Law Enforcement, distributed to the Committee April 1999).

3. A recent CNMI labor force survey prepared by the CNMI Department of Commerce indicated that there are currently 35,755 non-U.S. citizens in the CNMI labor force. However, this figure has to be clarified. In addition to the guest workers permitted by our Labor and Immigration Identification System ("LIIDS"), the Department of Commerce figure included citizens from the Freely Associated States, spouses of U.S. citizens who had not obtained green cards or U.S. resident status, illegal aliens (as identified under the limited immunity program), and other non-resident permit holders such as investor/business permit holders.

4. The 1995 Mid-Decade Census reflects that 37.7% of the CNMI population was born in the CNMI; 2.8% were born on Guam; 4.1% were born in the U.S.; and 5.9% were born in the Freely Associated States. This totals 50.4% of the total CNMI population in 1995. This does not include naturalized U.S. citizens, or immediate relatives of U.S. citizens who are in the CNMI under that status under CNMI immigration law or as U.S. green card holders. Based on these figures, we believe that the guest worker population (nonresidents who are working in the CNMI under a business permit and guest workers under temporary worker contracts), is lower than our resident population of U.S. citizens, immediate relatives of U.S. citizens both green card holders and immediate relatives under CNMI immigration law and Freely Associated States citizens.

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